

ROUTING

Top Secret 233

(Security Classification)

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday July 1, 1976

CI NIDC 76-154C

NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

DIA review(s) completed.

State Dept. review completed

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Approved For Release 2007/03/06 : CIA-RDP79T00975A029100010002-6

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National Intelligence Daily Cable for Thursday, July 1, 1976.

The NID Cable is for the purpose of informing senior US officials.

LEBANON

Syria appears to be trying to salvage Libyan Prime Minister Jallud's mediation mission in Lebanon, and is giving the appearance of greater acquiescence in the Arab League's desire for a joint security force there. Damascus has stepped up its military offensive, however, and its conciliatory gestures seem to be only a tactical move to head off pressure by the Arab League foreign ministers for a dilution of its military role.

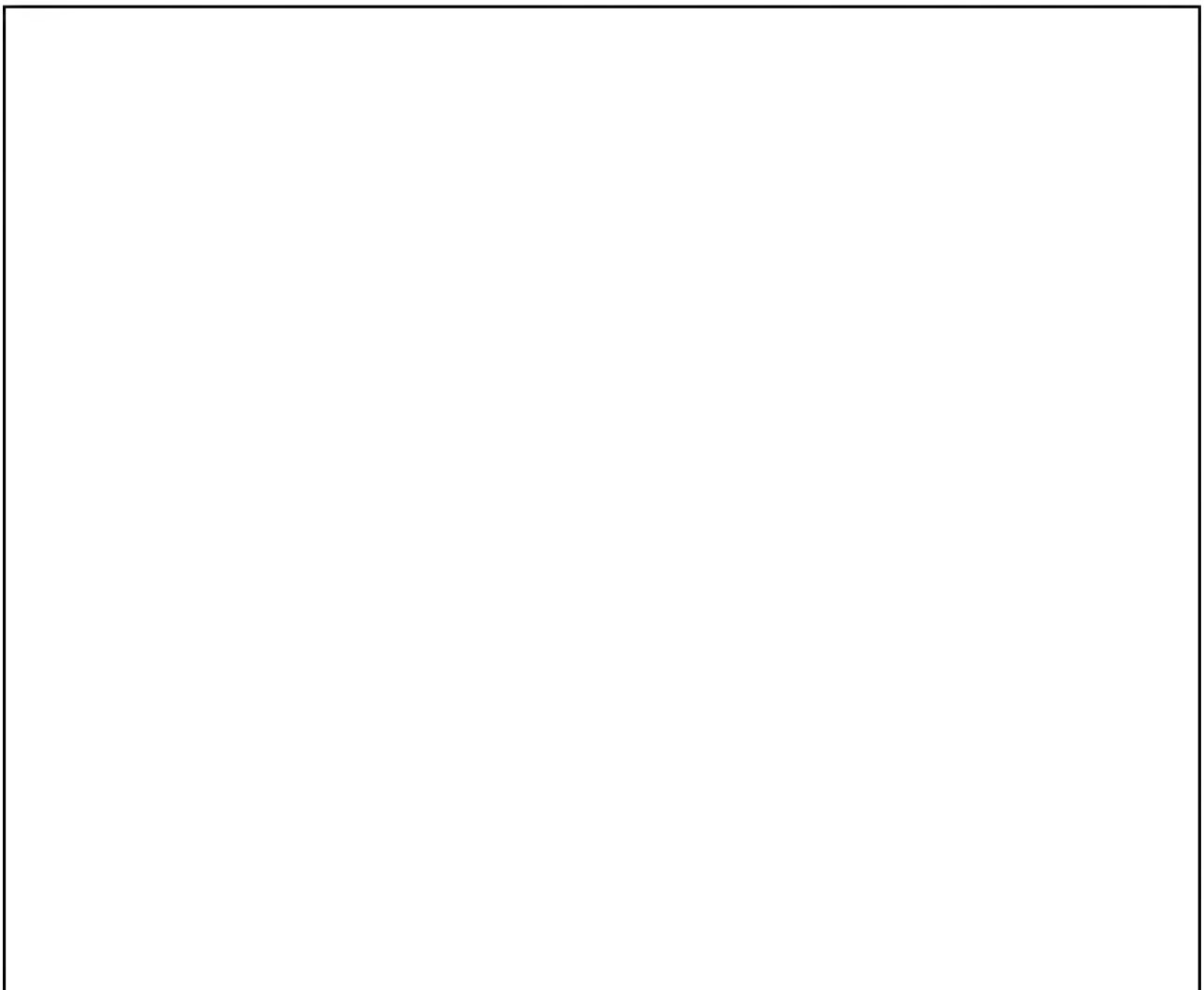
The league ministers, in an emergency session in Cairo last night, passed a resolution calling for a cease-fire in Beirut to take effect today at 5 a.m. Washington time. They also created a special committee, consisting of the league's secretary general and the foreign ministers of Bahrain and Tunis, to monitor the cease-fire and to draw up a timetable for implementing earlier league resolutions on Lebanon.

During the past several weeks Damascus has played along with both Jallud and the League mission in an effort to buy time and to forestall further Arab political pressure. Both

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missions have provided a facade behind which Syria has minimized its continued involvement in the fighting and consolidated its military positions.

25X1 [] In fact, Syria now appears to be pressing its military advantage, and acting more openly in conjunction with the Christian forces. While the Syrians may temporarily succeed in mollifying some of their critics, the other Arabs will not be misled for long. Libyan President Qadhafi, for instance, is increasingly impatient and may order Jallud to cease his tacit cooperation with Damascus.



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[] In Beirut, heavy fighting continued yesterday along the traditional confrontation lines in the central portion of the city, the port area, and the vicinity of the airport. Residential areas in west Beirut were again bombarded as the exchange of artillery fire between the eastern and western sectors gradually escalated. The US embassy reports that shortages of food and water are becoming serious in many areas of the capital.

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[] We cannot confirm Palestinian charges yesterday that Syrian forces have joined the Christian offensive in Beirut.

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COMMUNIST CONFERENCE

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[] The major West European communist leaders at the European communist party conference reasserted their independence from Moscow in no-nonsense terms, and implied that Soviet-style communism is ineffective and no longer a viable model for Western parties.

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[] Italy's Berlinguer said the development of Marxism had not kept pace with world realities. This theme was repeated by Spanish party leader Carrillo, who referred to the scientific approach to socialism as a "kind of mysticism and predestination," which the movement had outgrown.

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[] In the course of ritual praise for the Soviet revolution of 1917, Berlinguer noted that it had taken place in particular historical conditions and was marked by "hardships, difficulties, and errors."

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[] Berlinguer restated his party's intention to follow an autonomous line free of foreign interference and "within the framework" of Italy's alliances--a reference to the party's acceptance of Italian membership in NATO and the EC.

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[] Berlinguer went on to assert that there could be no single leading communist party or state. He said that the conference was not a meeting of an international communist body because "no such body exists and can never exist," either on a European or world level.

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[] He also recalled the Italian party's criticism of the Soviet invasion of Czechoslovakia. This reference was made to illustrate his point that the principle of non-interference in other parties' affairs does not rule out the right to assess their theoretical and political stands.

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[] French party leader Marchais likewise made reference to the general concern about the "image of socialism"; he claimed it served "common ideals" when the French express views on the divergence of a communist country from these ideals. This was an obvious effort to justify the French communist criticism earlier this year of Soviet treatment of political dissidents.

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[] In his statement, Marchais maintained much the same line that had helped to prolong the preparatory efforts for the conference. As far as the French were concerned, he said, such meetings no longer serve a useful purpose. To emphasize the French party's adoption of a more independent stance, Marchais reminded the audience that his party had recently discarded the concept of the "dictatorship of the proletariat."

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[] After interpreting the "crisis in capitalism" and strongly criticizing French President Giscard, Marchais came down hard on those communist parties in power which--in the name of peaceful coexistence--cooperate with Western governments to the detriment of the local party.

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[] Spanish Communist leader Carrillo, in the most strongly worded speech delivered at the conference, underscored his party's independence from Moscow. He demanded that diversity be accepted, and gave a thinly veiled warning that failure to do so would result in a schism. Presumably with an eye toward his party's efforts to win legalization, Carrillo asserted that full democracy is essential for all "socialist states" and observed that socialism in Western countries would be brought about by pluralism.

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[] Domestic considerations were probably paramount in Carrillo's call on the Soviets to take the lead in withdrawing their troops from other countries to hasten the dissolution of power blocs. Carrillo may have hoped to lend credence to his statement last year in which he said that the Spanish Communists would not object to the US military presence in Spain as long as Soviet troops occupied Czechoslovakia.

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25X1 [] Among the speeches of the East European party leaders, those delivered by Yugoslav President Tito and Romanian President Ceausescu were, not surprisingly, the most independent.

25X1 [] Tito clearly aimed his message at Moscow by hammering on the necessity of different roads to socialism. He stressed that Yugoslavia opposes any form of interference in the internal affairs of other parties. In an allusion to Yugoslav-Bulgarian differences over Macedonia, he asserted that the failure of Yugoslavia's neighbors to recognize the rights of national minorities is contrary to human rights and Marxism and undermines peace in Europe.

25X1 [] Ceausescu made clear that the Romanian party will not accept Soviet backpeddling on the conference document. He defended "socialist patriotism" and the role of the nation in international affairs. In a reference to the Brezhnev Doctrine, Ceausescu also called for effective safeguards against interference in Romania's internal affairs. He also advocated the simultaneous dissolution of military blocs as a means of eliminating suspicion. Like Tito, Ceausescu declared that the inevitable differences among parties--read, among others, the Soviets and Chinese--should be solved in a "principled spirit" in private bilateral meetings.

25X1 [] Polish party chief Gierek took a cautious stance in his speech and placed more stress on the solidarity of the movement and less on Poland's role in the communist world. He will make a more important speech tomorrow at Katowice, a key Polish industrial city.

25X1 [] Not surprisingly, Bulgarian leader Zhivkov gave a strong, pro-Soviet speech, declaring that a party's attitude toward the USSR and the Soviet party is the "most reliable criterion of loyalty" to communism. He condemned anti-Sovietism and Maoism, stressing that inevitable differences between parties should be resolved in a spirit of "proletarian internationalism," thereby asserting that the Soviet party is the first among equals. []

CHINA

[] For the first time in five years, Peking marked the anniversary today of the Communist Party with an editorial published in all of China's major publications. The high-level treatment contrasted with the generally low-key content of the editorial.

[] The editorial broke no new ground on the political campaign criticizing former vice premier Teng Hsiao-ping, and this suggests that the campaign is at a standstill. There was a call to continue the criticism of Teng, and others like him in the party, but it was balanced by a statement that most such people have corrected their mistakes.

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[redacted] The editorial concluded on the somewhat defensive note that the party is "worthy" of leading the country despite the Teng Hsiao-ping affair and the riots in Peking in early April. This may reflect the widespread loss of confidence in the party that has resulted from the recent political turmoil.

RHODESIA

[redacted] //The guerrilla war is beginning to erode the morale of Rhodesia's white civilian population, [redacted]

[redacted] //So far, however, most whites continue to support Prime Minister Ian Smith, and the Rhodesian regular army apparently has not been seriously affected by morale problems.//

[redacted] //Since the attack by insurgents last April on motorists on the main highway to South Africa and other incidents involving civilians in recent weeks, whites have become concerned for the first time about travel in Rhodesia. They now generally avoid driving at night on certain major roads where guerrilla activity has been reported.//

A sharp decline in tourism has hurt several industries, particularly the Rhodesian airline.//

[redacted] //Morale among the reserve forces has reportedly declined as reservists are called away from their civilian pursuits more frequently and for longer periods.//

[redacted] //During April and May, 1,460 whites emigrated, the largest number for a two-month period since the country's unilateral declaration of independence from Britain in 1965. The government is actively trying to prevent the exodus of young whites due for military call-up. There have been deliberate bureaucratic delays in providing tax and police clearances for would-be emigrants to South Africa. [redacted]

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FRANCE

25X1 [] //French President Giscard's visit to London last week was a step toward establishing the "missing link" in the trilateral relationship between Paris, London, and Bonn essential to any progress toward European unity.//

25X1 [] //The most important aspects of the visit were the establishment of a personal working relationship between Giscard and Prime Minister Callaghan and the creation of a framework for periodic high-level bilateral meetings. The two sides agreed that the heads of government and the foreign ministers will meet annually--and that a number of other ministers will meet periodically.//

25X1 [] //It is unclear whether the visit brought any advances on specific Community issues. London believes it made some impression on Giscard with arguments that any formula for direct elections to the European Parliament must give adequate representation to Scotland, Wales, and Northern Ireland. An agreement on direct elections may be reached at the EC summit later this month.//

25X1 [] //Giscard may have shown some sympathy for British insistence on special treatment for the UK in the Community's common fishing policy. Some press accounts suggest that Giscard may have linked British demands regarding fishing to access by other Community members to exports of British North Sea oil.//

25X1 [] //The visit completes the institutionalization of bilateral summit consultations among French, West German, and British leaders. The French and British respectively have been holding periodic summits with the Germans since the 1960s. Chancellor Schmidt saw Callaghan yesterday, and Giscard goes to Hamburg early next week.//

25X1 [] //Since its inception by de Gaulle and Adenauer, the Paris-Bonn link has been an important element in postwar reconciliation, facilitating discussions on policies affecting the whole of Western Europe and providing a forum for reconciling bilateral differences. The British - West German connection has not been as close, mainly because of the UK's long exclusion from the EC and its consequent lesser involvement in European affairs prior to 1973. Ties between London and Paris had been in the doldrums since de Gaulle vetoed the UK's application to join the EC in the 1960s.//

25X1 [] //Neither London nor Paris wants to appear to be trying to set up a new "entente cordiale" aimed against Bonn, although both probably hope that improved Franco-British relations will help offset growing West German influence in the Community.//

25X1 [] //The other Community members may welcome the creation of a potential counterweight to German influence, but are mainly concerned that the development of a three-power "directoriate" could relegate them to second-class status.

25X1 ECONOMIC SUMMIT

25X1 [] EC foreign ministers meeting in Luxembourg on Tuesday expressed satisfaction with the results of the economic summit in Puerto Rico, according to press reports. They regarded the discussion of the general economic situation in the West as particularly useful and noted their satisfaction with talks regarding East-West relations and relations with the developing world.

25X1 [] A generally favorable evaluation has also emerged from press reporting from European capitals. Most commentators say the summit provided Western leaders with a good opportunity to work out a general strategy for controlling the economic recovery.

25X1 [] The summit was given heavy play in the Italian press. The willingness of other participants to express support for Italy was noted, as well as the need for Italy to adopt stringent economic austerity measures within the framework of greater political stability.

25X1 [] West German Chancellor Schmidt's argument that only a few developing states would benefit from a common fund for raw materials evoked considerable interest in the German press. *Die Welt* noted that the US and West Germany had arrived at a general consensus on this issue, but that a common approach to developing countries was left unresolved. Some of the German press has been critical of Schmidt's attendance on the grounds that it was an electoral maneuver and because the EC was not represented.

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[] No post-summit press commentary has yet been received from the UK or France; nor have we had any reporting on private official evaluations and reactions. Comment from Canada has been very limited.

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[] Soviet press coverage has been limited and rather negative. Its thrust has been that the summit was called to reverse setbacks at Nairobi and represents just another effort to save Western economies from those dangers inherent in the capitalist system. Tass gave a fairly factual presentation of the summit results, although it did assert a certain lack of enthusiasm on the part of some non-US participants. []

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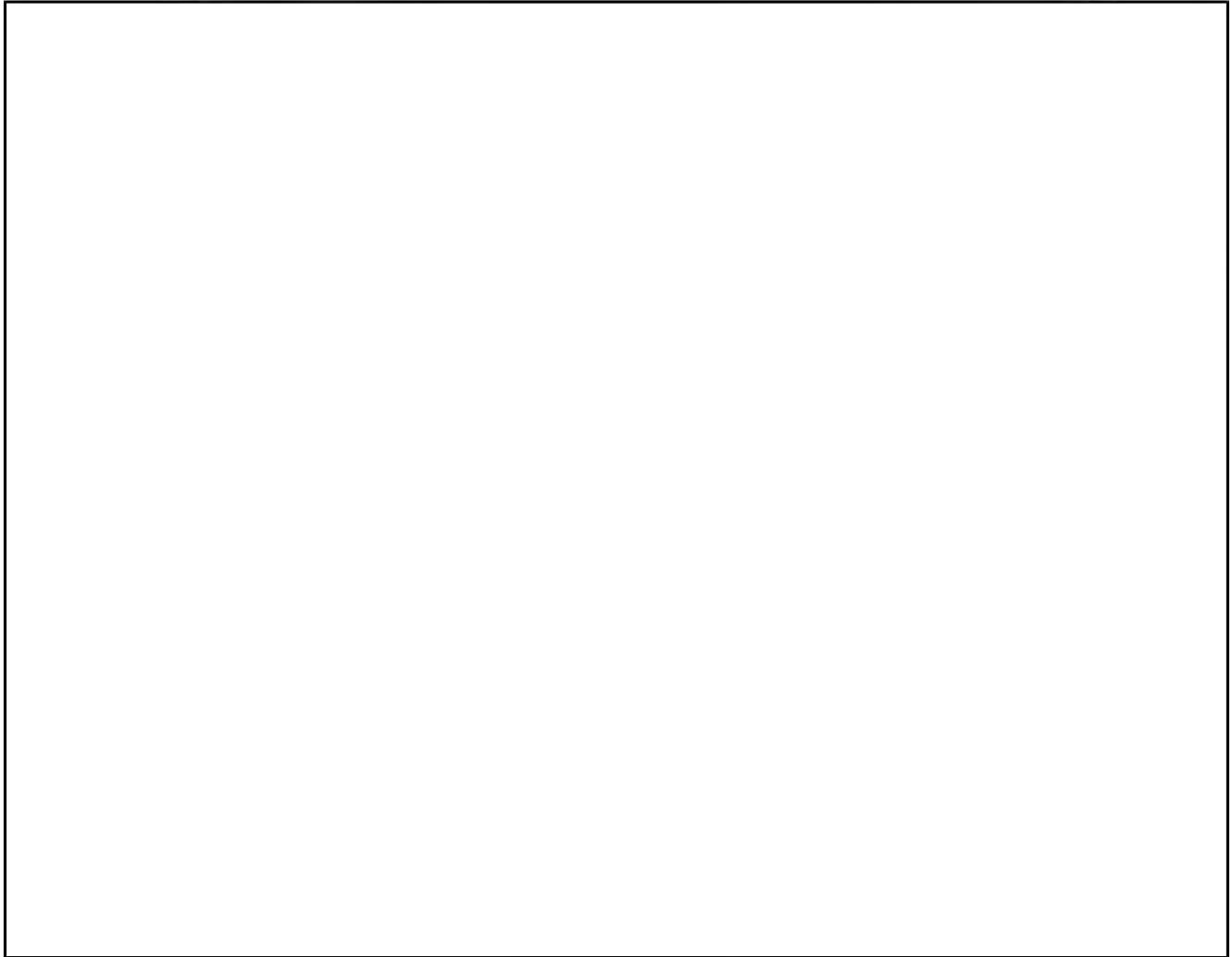
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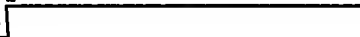
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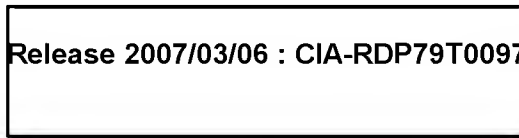


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PERU

 //Negotiations for Peru's purchase of Soviet fighter-bombers may be near completion, 

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DIA



25X1 [REDACTED] //The purchase, presumably on generous financial terms, has been in the wind for some months. There have been unconfirmed reports that the Peruvians are also buying Soviet surface-to-air missiles.//

25X1 [REDACTED] //Besides suggesting an increase in the number of Soviet technicians and advisers in Peru in coming months, the purchases raise serious questions about Lima's intentions in acquiring sophisticated weaponry far in excess of its defensive needs. [REDACTED]

CHILE

25X1 [REDACTED] Chilean President Pinochet announced on Tuesday night a series of changes in economic policies intended to win wider public support for the junta.

25X1 [REDACTED] The measures include an 11-percent revaluation of the peso. This revaluation, the first for any South American currency in this decade, comes one day after a major devaluation in Peru--Chile's traditional Andean rival--and may have been deliberately timed for added psychological impact.

25X1 [REDACTED] The measures also include tax reductions and expanded credit for housing and investment.

25X1 [REDACTED] //The new policies signal a major change in the military government's priorities, made possible by the dramatic improvement in the Chilean balance of payments this year. Pinochet may also be reacting to complaints, particularly from the air force, that the government's austerity program exacted too much sacrifice from the Chilean people.//

25X1 [REDACTED] The revaluation will stimulate imports. It will effectively reduce prices for imported goods in terms of domestic currency and further slow inflation, which has been running at an annual rate of 250 percent so far this year--down from 341 percent in 1975.

25X1 [REDACTED] Since it took power in September 1973, the government has devalued the peso by nearly 50 percent more than the inflation rate in order to stimulate exports. In 1975, devaluations--coupled with import restrictions--contributed to a 30-percent cutback in imports.

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25X1 [] Foreign exchange earnings are rising substantially this year, primarily because of a recovery in the world copper market. Export of non-mineral products should also help boost earnings. Chile is also having better luck in obtaining foreign capital.

25X1 [] We now expect imports to increase by about the 10 percent permitted by the increased foreign exchange earnings this year. []

25X1

UGANDA

25X1 [] Ugandan President Amin is again making threatening gestures toward Kenya. []

25X1

25X1 [] In a statement yesterday, an Ugandan military spokesman charged that Kenyan troops crossed into Uganda on Monday, capturing several policemen and destroying a police post. The spokesman said that Ugandan military forces have been instructed to counter any "aggression" from Kenya.

25X1 [REDACTED] The Kenyans have denied the charges. //They have told US officials privately that dissident tribesmen attacked the post.//

25X1 [REDACTED] //Amin's motives and intentions are obscure, although he may suspect that Kenya was involved in the recent attempt on his life. He may want to keep Nairobi on edge and dissuade it from supporting other assassination attempts.//

25X1 [REDACTED] [REDACTED]
25X1 [REDACTED] //Should Amin approach Siad, he is almost certain to be turned down by the Somali leader. Mogadiscio claims a large part of Kenya inhabited by ethnic Somalis, but this area is much less important to Somalia// than the French Territory of the Afars and Issas, which it hopes to annex when the French withdraw.

25X1 [REDACTED] //Although a move against Kenya by Amin cannot be ruled out, he may be less inclined to take this step without assurances of Somali assistance. The ill-disciplined Ugandan army, which has suffered from Amin's maladministration, is poorly prepared for a foreign adventure.//

25X1 [REDACTED]
IRAN-USSR

25X1 [REDACTED] Iran's 15-year-old Crown Prince Reza Pahlavi will make an official visit to the USSR early this month. The Shah, who went to Moscow in late 1974, uses such visits to demonstrate his interest in keeping relations with the Soviets on an even keel.

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[REDACTED] By sending the Crown Prince this year, the Shah keeps the focus of the visit on protocol, avoids an encounter with Soviet leaders, and retains for himself room to maneuver against Soviet policies in the Middle East and South Asia. //Iran's long-term distrust of Moscow has been reinforced by recent Soviet activities in Africa, the Persian Gulf, and the Indian Ocean.//

25X1

[REDACTED]
Soviet leaders remain troubled by the growing US-Iranian ties and the influx of US arms and advisers into Iran.//

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[REDACTED] //In late May, Moscow protested critical speeches by Iranian officials and articles in the Iranian press implicitly linking the USSR with terrorism in Iran.

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[REDACTED] The Shah has seldom attacked Moscow directly because he recognizes the need to preserve a workable political relationship with the Soviets as well as the important economic links between the two countries.

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[REDACTED] The trip by the Crown Prince is seen by the Shah as a further step in broadening the international experience of his young heir. The Crown Prince's exposure to world leaders began last year when he represented Iran in ceremonies marking the reopening of the Suez Canal. He has since been the nominal host for visits to Iran by Crown Prince Hasan of Jordan, King Carlos of Spain, and various Persian Gulf sheikhs. [REDACTED]

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USSR

25X1

[REDACTED] Diplomats in Moscow are picking up conflicting indications of the possibility of a Central Committee plenum this month.

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[REDACTED] Some Soviet sources have said that a plenum will be held during the first week of July; others say that one is not scheduled for the near future. The rumors follow speculation this spring that a plenum would be held last month.

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25X1 [REDACTED] //The rumors are being fed by Foreign Minister Gromyko's recent postponement for "internal reasons" of his official visits to Denmark and Belgium, planned for next week.// Other officials reportedly plan to be in Moscow early this month, and Western embassies are finding it difficult to schedule meetings with middle-level officials for the first half of this month.

25X1 [REDACTED] On the other hand, Premier Kosygin is expected to represent the USSR at the annual CEMA heads of government meeting in East Berlin next week.

25X1 [REDACTED] Earlier rumors that leadership changes will be made at a plenum continue, but some Soviets deny that a plenum anytime soon would take such action.

25X1 [REDACTED] Another frequently mentioned topic for plenum discussion is agriculture. If a plenum is held, it also might discuss the conference of European communist parties, which ended yesterday and was attended by General Secretary Brezhnev. [REDACTED]

25X1

25X1 [REDACTED]

USSR

25X1 [REDACTED] The appointment last Thursday of Aleksey Vatchenko as chairman of the presidium of the Ukrainian Supreme Soviet places an ally of Ukrainian party chief Shcherbitsky and General Secretary Brezhnev in this key post. Vatchenko, previously first secretary in the Dnepropetrovsk region, replaced retiring Ivan Grushetsky.

25X1 [REDACTED] Vatchenko's promotion gives Shcherbitsky what he previously appeared to lack--a loyal supporter in Kiev who is well placed to qualify for the top republic post should Shcherbitsky transfer to Moscow.

25X1 [REDACTED] Because of his close association with Brezhnev, Shcherbitsky has long been viewed as a strong contender to succeed him or possibly Premier Kosygin, assuming that he could get an assignment in Moscow. It seemed unlikely, however, that he would leave the Ukraine before he had fully secured his power base there. [REDACTED]

USSR

25X1 [] //Moscow has announced that between July 1 and August 10, part of the Barents Sea will be closed for missile firings. The restricted area is in a portion of the sea claimed by both the Soviet Union and Norway.//

25X1 [] //The two countries have been negotiating over the disputed continental shelf boundary in the Barents Sea for nearly two years. The latest series of talks ended last month without progress, and negotiations are scheduled to resume this fall. Last September, four SS-7 ICBMs were fired into the disputed part of the Barents Sea in an apparent attempt to influence the negotiations and assert Moscow's right to use the area.//

25X1 [] //Moscow would undoubtedly like to exploit the potential oil and gas deposits, but is more interested in establishing rights to unrestricted use of the strategic sea passage between Svalbard and Norway. The Soviets are also concerned that economic development by Norway would involve construction of oil-drilling platforms and other facilities that could constrain Moscow's use of this route.//

25X1 [] //Moscow is in the process of dismantling SS-7 launchers as part of the SALT agreement, and three of the nine SS-7 silos at Olovyanaya have been dismantled. In addition to possibly increasing Moscow's bargaining leverage with Oslo, the firings are an expeditious means of emptying the silos. [] 25X1

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